



Ernie Fletcher
Governor

LaJuana S. Wilcher, Secretary
Environmental and Public
Protection Cabinet

Christopher L. Lilly
Commissioner
Department of Public Protection

Honorable John J. Finnigan, Jr.
Senior Counsel
The Union Light, Heat and Power Company
139 East Fourth Street
Cincinnati, OH 45202

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Mark David Goss
Chairman

Teresa J. Hill
Vice Chairman

Gregory Coker
Commissioner

June 2, 2006

CERTIFICATE OF SERVICE

RE: Case No. 2006-00101
The Union Light, Heat and Power Company

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on June 2, 2006.

Executive Director

BOD/jc
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT, HEAT)	
AND POWER COMPANY FOR A CERTIFICATE)	CASE NO.
OF PUBLIC CONVENIENCE AND NECESSITY)	2006-00101
TO CONSTRUCT GAS DISTRIBUTION FACILITIES)	
WITHIN ITS SERVICE TERRITORY)	

O R D E R

On March 13, 2006, The Union Light, Heat and Power Company ("ULH&P") filed an application with the Commission requesting a Certificate of Public Convenience and Necessity ("CPCN") to replace approximately 14 miles of cast iron and bare steel mains with plastic and steel pipelines of different sizes as tabulated in the record of this case.

ULH&P has divided the majority of its proposed construction into eight modules. Each module consists of approximately 1 to 3 miles of cast iron and bare steel pipe located within a particular community. ULH&P also requests approval to replace 3,700 feet of cast iron and bare steel mains in addition to the module work. ULH&P states that this additional replacement work involves mains identified for replacement under its Cast Iron Maintenance Optimization System[®] ("CIMOS") and its Bare Steel Maintenance Optimization System[®] ("BSMOS")¹ as well as mains involved in road improvement projects. ULH&P estimates that the cost of the proposed construction work for 2006 will be approximately \$11,700,000. ULH&P states that there are contingencies that may arise, such as field conditions, road resurfacing projects, and

¹CIMOS and BSMOS are grading systems that ULH&P uses to prioritize its cast iron and bare steel gas main replacements.

leaks, that may require additional work and expenditures. Therefore, ULH&P requests that the Commission permit it to deviate from the proposed construction in an amount not to exceed 20 percent of the total projected costs of construction to address such contingencies.

ULH&P has provided construction maps showing the location and route of the construction work.

ULH&P states that it plans to finance the construction through continuing operations and debt instruments as necessary.²

After reviewing the record and being otherwise sufficiently advised, the Commission finds that ULH&P's request for a CPCN for the construction proposed herein should be approved. The Commission further finds that ULH&P should be permitted to deviate from the proposed construction to address the contingencies discussed above in an amount not to exceed 20 percent of the total construction costs. ULH&P should, no later than April 15, 2007, file with the Commission a statement of the actual costs of the construction through the end of the year 2006.

IT IS THEREFORE ORDERED that:

1. ULH&P is granted a CPCN for the construction projects set forth in the plans and specifications of record herein.
2. ULH&P is permitted to deviate from the construction to address unforeseen contingencies in an amount not to exceed 20 percent of the total projected costs of \$11,700,000.

² ULH&P was authorized in Case No. 2005-00042 to file, by March 31, 2008, for approval of a new AMRP Rider surcharge covering AMRP-related construction for the period of October 1, 2006 through December 31, 2007.

3. On or before April 15, 2007, ULH&P shall file with the Commission a statement reflecting the actual costs of the construction performed in 2006.

Done at Frankfort, Kentucky, this 2nd day of June, 2006.

By the Commission

ATTEST

Executive Director